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WILLIAM T FUJIOKA
Chief Executive Officer

September 9, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

Next week, Congress will return from its summer recess, and will be in session for four weeks before recessing for the midterm elections. It also is widely expected that Congress will return in November for a lame-duck session because it is all but certain that most, if not all, of the 12 appropriations bills for Federal Fiscal Year (FFY) 2011, will not be enacted before Congress recesses for the November elections. In fact, the Senate has yet to pass a single FFY 2011 appropriations bill, and in the six most recent election years, Congress did not complete all annual appropriations legislation until after the November elections. Therefore, it is anticipated that Congress, instead, will enact a short-term Continuing Resolution to temporarily fund Federal programs and operations before FFY 2011 begins on October 1, 2010.

There also are other major pending issues that Congress may address this month or, if necessary, in a lame-duck session, including the following issues of importance to the County:

TANF Emergency Contingency Fund: The American Recovery and Reinvestment Act (ARRA) of 2009 appropriated $5 billion for a new Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund (ECF), which reimburses 80 percent of increased TANF-related expenditures on basic assistance, subsidized employment, and non-recurrent short-term benefits incurred during FFYs 2009 and 2010. The County has used the program to create more than 25,000 subsidized jobs (10,458 adult and 15,000 summer youth placements).

California has received nearly $923 million in TANF ECF funds to date and has pending claims totaling $352 million for its remaining qualifying expenditures through the end of FFY 2010. The State already has received nearly $600 million to offset its increased General Fund expenditures for CalWORKs and Kin-GAP grants. Moreover, increased earned income received by CalWORKs recipients placed into subsidized jobs has reduced CalWORKS grant costs, resulting in additional State General Fund savings. In Los Angeles County, adult subsidized job participants receive over $1,400 in average monthly wages, which is far more than the average CalWORKs grant of $578 received by the families of persons placed into subsidized jobs in January 2010.

Under current law, TANF ECF will sunset on September 30, 2010, which would result in the loss of tens of thousands of jobs in California alone, and also worsen the State's budget deficit. One of the County's top priorities is the pursuit of legislation which would extend TANF ECF for one year, and provide additional funding which would enable the County to maintain or expand its subsidized employment program. A pending House bill (H.R. 5893) would extend TANF ECF for an additional year and appropriate such sums as may be necessary for the program in FFY 2011. The County's Washington, D.C. advocates and County staff also are working to secure signatures from Senators for the attached "sign-on" letter (Attachment I), supporting a TANF ECF extension.

Legislation to extend popular expiring tax provisions is a potential vehicle for extending TANF ECF. The Continuing Resolution is another potential vehicle as the entire TANF program itself must be extended because its authorization and funding also expires at the end of FFY 2010. One major obstacle to extending TANF ECF or enacting amendments which either would increase Federal mandatory (entitlement) spending or decrease tax revenues is that current "PAYGO" budget rules require an offsetting decrease in mandatory spending and/or increase in revenue. It is politically difficult to secure sufficient support for offsetting spending cuts and/or tax increases, especially in the Senate where a 60-vote majority is required to move legislation.

Build America Bond and Recovery Zone Bonds: Another County priority is the enactment of legislation, which would extend ARRA's Build America Bond (BAB) and Recovery Zone Bond programs, which will sunset on December 31, 2010 under current law. Similar to TANF ECF, tax extender legislation is a potential vehicle for extending the BAB and Recovery Zone programs.

President Obama's $50 Billion Infrastructure Proposal: Earlier this week, the President unveiled a $50 billion proposal to improve the nation's transportation infrastructure through new investments to rebuild, modernize, and expand roads, railways, and airport runways. The proposal includes the establishment of an infrastructure bank to "leverage Federal dollars and focus on investments of national and regional significance that often fall through the cracks in the current siloed transportation programs."

The Obama Administration has released very few details on its infrastructure proposal, as seen in the attached fact sheet (Attachment II), which is the only description of its proposal that has been released to date. This fact sheet does not include any detailed information on how the $50 billion would be divided between roads, railways, and runways or between the new infrastructure bank and other funding streams. Republicans immediately attacked the President's proposal, which is significant because some Republican support will be needed to secure the 60-vote majority needed to move the legislation through the Senate. In addition, House Democratic leaders have indicated that the proposal is unlikely until after the mid-term elections.

Property Assessed Clean Energy Programs: Property Assessed Clean Energy (PACE) programs finance energy efficiency and renewable energy improvements through loans which are repaid through assessments added to property taxes and also are secured by liens on the property. In May 2010, Freddie Mac and Fannie Mae, which play critically important roles in the home mortgage market, and the Federal Housing Finance Administration (FHFA), which regulates them, raised objections that PACE liens were senior in priority to mortgages. They subsequently indicated that PACE loans should not be senior in priority to mortgage loans and that tougher standards should be imposed in issuing mortgage loans to properties with PACE loans, such as tightening borrower debt-to income ratios and adjusting loan-to-value ratios to reflect additional obligations associated with PACE loans. In effect, these policies threaten the viability of PACE programs, including the program which the County has been planning to implement.

The County has been working closely with other supporters of PACE programs, including the National Association of Counties, the National League of Cities, and the United States Conference of Mayors to pursue legislative or administrative remedies which would preserve the viability of PACE programs. As indicated in its recent letter (Attachment III) to Representative Ed Perlmutter (D-CO), the FHFA is retaining its guidance which imposed restrictions on the issuance of mortgage loans to properties with PACE assessments that are senior to mortgage loans. In addition, Fannie Mae and Freddie Mac also recently announced that they would not purchase mortgages for properties subject to PACE financing which was acquired on or after July 6, 2010.

To date, there has not been any Congressional action on legislation (S. 3642 and H.R. 5766), introduced by Senator Boxer and Representative Thompson (D-CA), which would preserve the use of continued viability of PACE loans secured by first liens. It is highly unlikely Congress will act on the legislation before it recesses in October for the mid-term elections.

We will continue to keep you advised.

WTF:RA
MT:sb

Attachments

c: All Department Heads
Legislative Strategist

Attachment I

September ___, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Max Baucus
Chairman
Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Chairman Baucus:

We appreciate the many months you have spent working to pass legislation that would provide critical tax cuts and support for American workers. Thanks to your leadership, the United States Senate has passed key provisions from the *American Jobs and Closing Tax Loopholes Act of 2010*, including an extension of expiring unemployment insurance benefits, an extension of expiring FMAP assistance, and an extension of the Medicare physician payment rates.

As you continue your efforts to bolster the economy and create jobs, we ask that you include a one-year extension of the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund in any upcoming legislative packages. We further request $2.5 billion to ensure the TANF Emergency Contingency Fund is adequately funded through fiscal year 2011; the original $5 billion appropriated for 2009 and 2010 is nearly exhausted.

As you know, the American Recovery and Reinvestment Act of 2009 (ARRA) created a new Emergency Contingency Fund under the TANF block grant. States have used this fund to create subsidized jobs in the private and public sectors. By the time it expires at the end of September, the fund will have created approximately 250,000 jobs for low-income individuals (parents and older youth) who would otherwise be unemployed. States are also using this fund to provide basic cash assistance and short-term benefits to increasing numbers of poor families with children as unemployment remains high and more workers exhaust their unemployment benefits.

The TANF Emergency Contingency Fund is set to expire on September 30, 2010 and states are in the process of eliminating their employment programs and considering reductions in assistance for very poor families. As states continue to struggle with the recession, we believe the extension of the TANF Emergency Contingency Fund would create jobs in the near term and stimulate the economy. At least thirty-six states (including the District of Columbia) have received approval to receive TANF Emergency Funds for new or expanded subsidized employment programs. And the number of unemployed parents and older youth in subsidized jobs would grow even more substantially if states had an additional year to operate the program.

We have just a few weeks before the successes of the TANF Emergency Contingency Fund experienced across the country are reversed. Without immediate Congressional action, tens of thousands of jobs will be lost in the coming days and weeks. Job losses in the states and counties with the large subsidized employment programs could see substantial increases in their unemployment rate. Small businesses that have relied on the fund to expand during the recession and rehire laid-off employees will once again face financial uncertainty. And states may implement reductions in cash assistance, assistance which is effective in stimulating the economy because the poor families receiving it spend virtually every cent in their local economy immediately to meet basic needs.

History tells us that even as the economy begins to grow again, it takes time for jobs to follow. Allowing the TANF Emergency Contingency Fund to expire is simply not a viable option for our current economy. We once again ask for your help to immediately extend the TANF Emergency Contingency Fund which will bolster job creation, keep much-needed income in local economies, support local businesses, and make it possible for low-income parents to cover basic expenses.

Thank you for your important work to help American families who are struggling amid this historic recession. We look forward to working with you to ensure that state governments have the necessary resources to assist poor families with employment programs and other basic needs.

Sincerely,

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John F. Kerry

Attachment II

Renewing and Expanding America's Roads, Railways, and Runways

The President today laid out a bold vision for renewing and expanding our transportation infrastructure – in a plan that combines a long-term vision for the future with new investments. A significant portion of the new investments would be front-loaded in the first year.

This plan would build on the investments we have already made under the Recovery Act, create jobs for American workers to strengthen our economy now, and increase our nation's growth and productivity in the future. At the same time, the plan would reform the way America currently invests in transportation, changing our focus to enhancing competition, innovation, performance, and real analysis that gets taxpayers the best bang for the buck, while moving away from the earmarks and formula debates of the past. In prior years, transportation infrastructure was an issue that both parties worked on together, and the Administration hopes the same can be true now.

Some of the tangible accomplishments of the President's plan over the next six years include:

- **ROADS:** Rebuild **150,000 miles** of roads – renewing our commitment to the backbone of our transportation system;
- **RAILWAYS:** Construct and maintain **4,000 miles** of rail – enough to go coast-to-coast;
- **RUNWAYS:** Rehabilitate or reconstruct **150 miles** of runway – while putting in place a NextGen system that will reduce travel time and delays.

The President's plan would accomplish this through:

- **An up-front investment.** The President will work with Congress to enact a new up-front investment in our nation's infrastructure – an investment that would help jump-start additional job creation, while also laying the foundation for future growth. This initial investment would fund improvements in the nation's surface transportation, as well as our airports and air traffic control system.
- **A vision for the future.** The President proposes to pair this with a long-term framework to reform and expand our nation's investment in transportation infrastructure. Since the end of last year, when the last long-term surface transportation legislation expired, these investments have been continued on a temporary basis, even as the trust fund to finance them has fallen into insolvency. If we are to enjoy the benefits that come from a world-class transportation system, Congress must enact a long-term reauthorization that expands and reforms our infrastructure investments and returns the transportation trust fund to solvency. To jumpstart job creation, this long-run policy front-loads – through a $50 billion up-front investment – a significant share of the new infrastructure resources. As with other long-run policies, the Administration is committed to working with Congress to fully pay for the plan.

  The long-term framework includes meaningful reforms:

- The establishment of an **Infrastructure Bank** to leverage federal dollars and focus on investments of national and regional significance that often fall through the cracks in the current siloed transportation programs;

- The integration of **high-speed rail** on an equal footing into the surface transportation program to ensure a sustained and effective commitment to a national high speed rail system over the next generation;

- **Streamlining, modernizing, and prioritizing** surface transportation investments, consolidating more than 100 different programs and focusing on using performance measurement and "race-to-the-top" style competitive pressures to drive investment toward better policy outcomes.

- Expanding investments in areas like **safety, environmental sustainability, economic competitiveness, and livability** – helping to build communities where people have choices about how to travel, including options that reduce oil consumption, lower greenhouse gas emissions, and expand access to job opportunities and housing that's affordable.

Specifically, the President proposes to make the initial up-front investment in the following areas:

- **Roads.** The nation's highways serve as the backbone of our transportation system. Many roads and bridges are in need of repair and expansion and many of the Americans who want to do this work face high unemployment right now. Our investments would be focused on modernizing the highway system's critical assets while providing much-needed jobs.

- **Rail.** Many parts of transit systems have been allowed to fall into a state of ill-repair. The President's plan would help address this by making a major new investment in the nation's bus and rail transit system. The Administration is also committed to expanding public transit systems and would dedicate significant new funding to the "New Starts" program – which supports locally planned, implemented, and operated major transit projects. In addition, the Administration is committed to building on its investments so far in high-speed rail – constructing a system that will increase convenience and productivity, while also reducing our nation's dependence on oil and cutting down on pollution. The President's plan would also invest in a long-overdue overhaul of Amtrak's fleet.

- **Runways & NextGen.** The Administration proposes to invest in our nation's airports by improving their runways and other equipment and facilities. We also propose a robust investment in our effort to modernize the nation's air traffic control system (NextGen). This investment will help both the FAA and airlines to install new technologies and, among other improvements, move from a national ground-based radar surveillance system to a more accurate satellite-based surveillance system – the backbone of a broader effort to reduce delays for passengers, increase fuel efficiency for carriers, and cut airport noise for those who live and work near airports.

- **Infrastructure Bank.** The President proposes to fund a permanent infrastructure bank. This bank would leverage private and state and local capital to invest in projects that are most critical to our economic progress. This marks an important departure from the federal government's traditional way of spending on infrastructure through earmarks and formula-based grants that are allocated more by geography and politics than demonstrated value. Instead, the Bank will base its investment decisions on clear analytical measures of performance, competing projects against each other to determine which will produce the greatest return for American taxpayers.

FEDERAL HOUSING FINANCE AGENCY
Office of the Director

August 26, 2010

The Honorable Ed Perlmutter
U.S. House of Representatives
415 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Perlmutter:

As you know, the Federal Housing Finance Agency (FHFA) has had significant concerns with so-called Property Assessed Clean Energy (PACE) programs that provide loans as part of a local tax assessment and result in almost all cases in the creation of a lien superior to an existing mortgage. PACE programs are implemented state-by-state and locality-by-locality without uniform standards for consumer protections and appropriate underwriting. FHFA found this particular initiative threatening to the safe and sound operations of its regulated entities and directed that appropriate steps be taken to address such risks. At the same time, FHFA indicated its support for energy retrofit lending programs to assist with energy conservation that also protect consumers through full disclosure and prudent underwriting standards.

Given your strong interest in exploring whether a resolution to this issue was possible, FHFA has worked diligently with your staff and those of other members as well as state and local governments and federal regulatory authorities to determine if modifications could be made that would address deficiencies in these programs. No satisfactory conclusion has been reached to address problems associated with liens created after a mortgage is in place, thereby transferring credit risk to banks, secondary market parties and investors in mortgage-backed securities. Further, consumer protections and appropriate underwriting standards need to be uniform and mandatory to protect homeowners. Discussions have failed to produce concepts that would mitigate the threat to FHFA-regulated institutions or to broader financial markets.

FHFA, therefore, has determined that its guidance to its regulated entities must remain in place. FHFA will continue to work on alternative lending structures with our regulated entities and other regulators that do not pose the risks of the PACE programs with first liens.

I want to express my appreciation to you for bringing together members of the House, their staffs, committee staffs, administration personnel and various regulatory agencies. Your leadership produced a strong effort by all concerned to find a resolution to this difficult matter. I believe that FHFA has done its utmost to seek constructive alternatives. As noted above, FHFA is committed to continue to work with you in your efforts to support energy conservation financing.

Yours truly,

Edward J. DeMarco

Edward J. DeMarco
Acting Director

xc: The Honorable Steve Israel
The Honorable Doris Matsui
The Honorable John Sarbanes
The Honorable Mike Thompson